

Readopt with amendment Ins 2800, effective 05-01-99 (Document #6984), to read as follows:

CHAPTER Ins 2800 PROPERTY AND CASUALTY RATE AND SUPPLEMENTARY INFORMATION
FILINGS

Statutory Authority: RSA 400-A:15 **I.**; RSA [413:7, IV; RSA 414:6] **412:43**

PART Ins 2801 **[RATING] ADVISORY** ORGANIZATION

Ins 2801.01 Purpose, Applicability and Scope.

(a) The purpose of this chapter is to set forth rules and procedural requirements which the commissioner deems necessary to carry out the provisions of **[RSA 412:8 RSA 412:14 and RSA 414:4] RSA 412:16 II., III., V., VI., RSA 412:23 and RSA 412:25** as to rate and supporting information filings of property and casualty insurers that adopt and incorporate in whole or in part approved prospective loss costs filings made by **[rating] advisory** organizations.

(b) Nothing in this chapter shall be construed to require any changes in the current manner in which supplementary rating information is filed with the commissioner by either insurers or **[rating] advisory** organizations on behalf of their participating insurers.

(c) Nothing in this chapter shall be construed to require **[rating] advisory** organizations or their participating insurers to immediately refile rates or premium charges in effect.

(d) This chapter shall apply to the type of insurance described in RSA 412 **[and RSA 414]** and to insurers making filings under **[RSA 412:8, RSA 412:14 and RSA 414:4] RSA 412:16.**

Ins 2801.02 Definitions.

(a) "Advisory organization" means an organization defined pursuant to RSA 412:20.

[(a)] (b) "Expenses" means that portion of a rate attributable to **commission expense and other** acquisition costs, field supervision costs, collection costs, general administrative costs, taxes, licenses, and fees.

[(b)] (c) "Expense constant" means an additive component of a rate that is used to recognize a minimum cost associated with a policy regardless of its size.

[(c)] (d) "Fixed expense" means a cost the value of which is independent of the size of the policy regardless.

(e) "Investment income" means income derived from the insurer's invested assets attributed to policyholder supplied funds.

[(d)] (f) "Loss cost multiplier" means a multiplicative factor applied to a prospective loss cost to develop a rate.

[(e)] (g) "Prospective loss costs" means that portion of a rate that excludes profit and expenses except for loss adjustment expenses and is based on historical aggregate losses and loss adjustment expenses.

[(f)] (h) "Rate" means the cost of insurance per exposure unit, prior to any application of individual risk variations based on loss or expense considerations. The term does not include minimum premiums.

[(g)] "Rating organization" means an association licensed pursuant to RSA 413:1.]

[(h)] (i) "Reference filing" as used in this chapter, means **[a rating] an advisory** organization's filing of prospective loss costs as defined in **[(e)] (a)** above that insurers can adopt and incorporate in whole or in part in support of their own filings.

[(i)] (i) "Supplementary rating information" means any manual, minimum premium, rating schedule or plan of policy writing rules, rating rules, classification system, territory codes and descriptions, rating plans, and any other similar information needed to determine the applicable premium for an insured.

(k) "Underwriting contingencies" means the provisions included in the rate to account for risk exposure not foreseen as part of the development of expected loss or expense.

(l) "Underwriting profit" means the difference between the premium an insurer collects and the expected level of total losses, loss expenses and all other expenses.

[(j)] (m) A "variable expense" means a cost the value of which is dependent on the size of the policy.

Ins 2801.03 **[Rating] Advisory Organization Reference Filing of Advisory Prospective Loss Costs.**

(a) **[Rating] Advisory** organizations may develop and make reference filings containing advisory prospective loss costs. Such filing shall contain the statistical data and support for any calculations or assumptions underlying those prospective loss costs. The reference filings shall be filed and approved by the commissioner pursuant to the provisions of **[RSA 414:3 I] RSA 412:16 I**, and in accordance with the provisions of **[RSA 413:2, RSA 412:8, RSA 412:14 and RSA 414:4] RSA 412:15, RSA 412:19, RSA 412:23 and RSA 412:25.**

(b) An insurer may adopt **[an approved] a** referenced filing by:

(1) Becoming a participating insurer of the licensed **[rating] advisory** organization which made the **[approved]** reference filing of advisory prospective loss costs; and

(2) Filing with the commissioner the information required **[in] on** form RFF-1.

(c) The insurer's rates shall be the approved prospective loss costs filed by the **[rating] advisory** organization which have been put into effect in accordance with the provisions of paragraph (a), combined with the insurer's loss cost adjustments which are filed in form RFF-1 and approved by the commissioner pursuant to the provisions of **[RSA 414:3] RSA 412:6 I**, and in accordance with the provisions of **[RSA 412:8, RSA 412:14 and RSA 414:4] RSA 412:15 and RSA 412:19.**

(d) To the extent that an insurer's final rates are determined solely by applying its loss cost adjustments, as presented in the reference filing adoption form, to the prospective loss costs contained in **[a rating] an advisory** organization's reference filing and printed in the **[rating] advisory** organization's rating manual, the insurer shall not be required to develop or file its final rate pages with the commissioner. If an insurer chooses to print and distribute final rate pages for its own use, based solely upon the application of its filed loss costs adjustments to **[a rating] an advisory** organization's prospective loss costs, the insurer shall not be required to file those pages with the commissioner. If the **[rating] advisory** organization does not print the loss costs in its rating manual, the insurer shall submit its rates to the commissioner.

Ins 2801.04 **Required Filing Documents.** Each insurer filing to adopt **[a rating] an advisory** organization's approved prospective loss cost reference filing shall include a completed copy of the reference filing adoption form RFF-1. **[Failure to file exhibits detailing insurer expense data and/or other supporting information as required on the form RFF-1 shall result in the automatic rejection of the entire filing.]**

Ins 2801.05 **Underwriting and Rating Documentation.** Companies writing insurance in this state shall maintain all underwriting and rating documentation from which any premium charge is developed. Premium supporting records may be in physical, fiche or electronic format provided that these records are identical to of the source document. Premium supporting records shall not be a summarization of facts and information from the source document from which they are made.

Ins 2801.06 **Instructions for the Completion of Form RFF-1.**

(a) On form RFF-1, the insurer shall supply the following information:

(1) Insurer name and address, including the name of the person responsible for filing, his/her title and telephone number and the date of the filing;

(2) The National Association of Insurance Commissioner's identification number assigned to the insurer;

(3) The line of insurance to which the form applies;

(4) The name of the **[rating] advisory** organization;

(5) The filing reference number assigned to the approved prospective loss costs filing by the **[rating] advisory** organization;

(6) A declaration that the insurer is a member, subscriber or service purchaser of the named **[rating] advisory** organization for the line of insurance identified in (a) (3) above;

(7) The proposed percentage rate level change and effective date;

(8) The prior percentage rate level change and effective date;

(9) A declaration that the insurer will:

a. Either file to have its loss cost multipliers and, if utilized, expense constants be applicable to future revisions of the **[rating] advisory** organization's prospective loss costs for this line of insurance; or

b. File to have its loss cost multipliers and, if utilized, expense constants be applicable only to the **[rating] advisory** organization reference filing.

(10) The line of insurance, the subline of insurance, the coverage, the territory and the classification the form will apply to;

(11) A declaration that the insurer will adopt the loss costs filing referenced in the adoption form:

a. Without modification; or

b. With modification, but if the filing is adopted with modification, the nature, percent, rationale and supporting data shall be cited.

(12) The loss cost modification expressed as a multiplicative factor.

(b) The following information shall be supplied if an expense constant is not used:

(1) The total production expense expressed as a percentage of premium;

(2) The general expense expressed as a percentage of premium;

(3) The taxes, licenses and fees expressed as a percentage of premium;

(4) The underwriting profit and contingencies expressed as a percentage of premium;

(5) The offset for investment income expressed as a percentage of premium;

[(5)] (6) The other expenses expressed as a percentage of premium;

[(6)] (7) The total expenses, which shall be the sum of (1) above through [(5)] (6) above, expressed as a percentage of premium;

[(7)] (8) The expected loss ratio expressed in decimal form;

[(8)] (9) The insurer loss cost multiplier, which shall equal (a) (12) above divided by (7) above;

[(9)] (10) The insurer's selected loss cost multiplier;

[(10)] (11) An explanation of any differences between [(8)] (9) above and [(9)] (10) above; **and**

[(11)] (12) The rate level change for the coverages that apply [; **and**] ;

[(12)] **Investment income expressed as a percentage of premium.**]

(c) The following information shall be supplied if an expense constant is used:

(1) An explanation of how expenses are split between fixed and variable;

[(1)] (2) The total production expense expressed as a percentage of premium and a breakdown of the expense between fixed and variable expense [.] ;

[(2)] (3) The general expense expressed as a percentage of premium and a breakdown of the expense between fixed and variable expense [.] ;

[(3)] (4) The taxes, licenses and fees expressed as a percentage of premium and a breakdown of the expense between fixed and variable expense [.] ;

[(4)] (5) The underwriting profit and contingencies expressed as a percentage of premium and a breakdown of the expense between fixed and variable expense [.] ;

(6) The offset for investment income expressed as a percentage of premium;

[(5)] (7) The other expenses expressed as a percentage of premium and a breakdown of the expense between fixed and variable expense [.] ;

[(6)] (8) The total expense, which shall be the sum of [(1)] (2) through [(5)] (7) above, expressed as a percentage of premium and a breakdown of the expense between fixed and variable expense [.] ;

[(7)] (9) The expected loss ratio expressed in decimal form;

[(8)] (10) The variable expense loss ratio expressed in decimal form;

[(9)] (11) The formula expense constant, which shall be calculated as follows:

a. $(1/\text{expected loss ratio in decimal form} - 1/\text{variable expense loss ratio expressed in decimal form}) \times \text{average underlying loss cost}$;

(12) The formula variable lost cost multiplier, which shall be (a)(12) above divided by (9) above;

[(10)] (13) The selected expense constant;

[(11)] **An explanation of any difference between (9) above and (12) above;**]

[(12) The variable loss cost multiplier, which shall be (a) (12) above divided by (9) above;]

[(13)] (14) The selected variable loss cost multiplier;

[(14)] (15) An explanation of any differences between [(12)] (11) above and (13) above and between (12) above and (14) above; and

[(15)] (16) The rate level change for the coverages that apply [; and] .

[(16) Investment income expressed as a percentage of premium.]

FORM RFF-1Date:PROSPECTIVE LOSS COSTS REFERENCE
FILING ADOPTION FORM

1. INSURER NAME _____

ADDRESS _____

PERSON RESPONSIBLE FOR FILING _____

TITLE _____ TELEPHONE # _____

2. INSURER NAIC # _____

3. LINE OF INSURANCE _____

4. **[RATING]** **ADVISORY** ORGANIZATION _____5. **[RATING]** **ADVISORY** ORGANIZATION REFERENCE FILING # _____

6. The above insurer hereby declares that it is a member, subscriber or service purchaser of the named **[rating]** **advisory** organization for this line of insurance. The insurer hereby files to be deemed to have independently submitted as its own filing the prospective loss costs in the captioned reference filing.

The insurer's rates will be the combination of the prospective loss costs and the loss cost multipliers and, if utilized, the expense constants specified in the attachments.

7. PROPOSED RATE LEVEL CHANGE ____% EFFECTIVE DATE _____

8. PRIOR RATE LEVEL CHANGE ____% EFFECTIVE DATE _____

9. ATTACH "SUMMARY OF SUPPORTING INFORMATION FORM" (use a separate summary for each insurer-selected loss cost multiplier.)

10. CHECK ONE OF THE FOLLOWING:

_____The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable to future revisions of the **[rating]** **advisory** organization's prospective loss costs for this line of insurance. The insurer's rates will be the combination of the **[rating]** **advisory** organization's prospective loss costs and the insurer's loss cost multipliers and, if utilized, expense constants specified in the attachments. The rates will apply to policies written on or after the effective date of the **[rating]** **advisory** organization's prospective loss costs. This authorization is effective until disapproved by the commissioner, or amended or withdrawn by the insurer.

_____The insurer hereby files to have its loss costs multipliers and, if utilized, expense constants be applicable only to the above **[rating]** **advisory** organization reference filing.

I. CALCULATION OF COMPANY LOSS COST MULTIPLIER

1. Line, subline, coverage, territory, class, etc. combination to which this page applies _____

2. Loss Cost Modification:

A. The insurer hereby files to adopt the prospective loss costs in the captioned reference filing:

(CHECK ONE)

___ Without modification. (factor=1.000)

___ With the following modification(s). (Cite the nature and percent modification, and attached supporting data and/or rationale for the modification.)

B. Loss Cost Modification Expressed as a Factor: _____

Example 1: Loss Cost modification factor. If your company's loss cost modification is -10%, a factor of .90(1.000-.100) should be used.

Example 2: Loss Cost modification factor. If your company's loss cost modification is +15%, a factor of 1.15(1.000+.150) should be used.

II. CALCULATION OF COMPANY LOSS COST MULTIPLIER WITHOUT EXPENSE CONSTANT

NOTE: IF EXPENSE CONSTANTS ARE UTILIZED, PLEASE OMIT THIS SECTION AND COMPLETE SECTION III.

1. Development of Expected Loss Ratio. (Attach exhibit detailing insurer expense data and/or other supporting information.)

	<u>Selected Provisions</u>
A. Total Production Expense	_____ % <u>(+)</u>
B. General Expense	_____ % <u>(+)</u>
C. Taxes, Licenses & Fees	_____ % <u>(+)</u>
D. Underwriting Profit & Contingencies	_____ % <u>(+)</u>
E. Investment Income	_____ % <u>(-)</u>
F. Other (explain)	_____ % <u>(+)</u>
<u>G. TOTAL</u>	_____ %
2. A. Expected Loss Ratio: $ELR:ELR=100\% - [3F] \text{ II. 1. G }$	_____ %
B. ELR in decimal form =	_____
3. Company Loss Cost Multiplier $[: (2B-4B)] \text{ (I.2.B/II.2.B) } =$	_____ %
4. Company Selected Loss Cost Multiplier =	_____

Explain any differences between [5 and 6] II.3. and II. 4.:

5. Rate level change for the coverages to which
this page applies. _____ %

[Example 1: Loss Cost modification factor. If your company's loss cost modification is -10%, a factor of .90(1.000-.100) should be used.]

Example 2: Loss Cost modification factor. If your company's loss cost modification is +15%, a factor of 1.15(1.000+.150) should be used.]

III. CALCULATION OF COMPANY LOSS COST MULTIPLIER WITH EXPENSE CONSTANTS

1. Development of Expected Loss Ratio. (Attach exhibit detailing insurer expense data and/or other supporting information including an explanation of the split between fixed and variable expenses.)

	<u>Selected Provisions</u>		
	<u>Overall</u>	<u>Variable</u>	<u>Fixed</u>
A. Total Production Expense	_____	_____	_____ (+)
B. General Expense	_____	_____	_____ (+)
C. Taxes, Licenses & Fees	_____	_____	_____ (+)
D. Underwriting Profit & Contingencies	_____	_____	_____ (+)
E. Investment Income	_____	_____	_____ (-)
F. Other (explain)	_____	_____	_____ (+)
G. TOTAL	_____	_____	_____

2. A. Expected Loss Ratio:
ELR=100% - Overall [3F] III.1.G. = _____

B. ELR expressed in decimal form = _____

C. Variable Expected Loss Ratio:
VELR=100%-Variable [3F] III.1.G. = _____

D. VELR in decimal form = _____

3. A. Formula Expense Constant:

$[(1.00 \div [4B] \text{ III.2.B.}) - (1.00 \div [4D] \text{ III.2.D.})]$
x Average Underlying Loss Cost = _____

B. Formula Variable Loss Cost Multiplier: $(\text{I. 2.B} \div [4] \text{ III. 2.D.}) =$ _____

[4.] C. Selected Expense Constant = _____

D. Selected Variable Loss Cost Multiplier = _____

[5.] 4. Explain any differences between [3] III.3.A & III. 3.C and [4] III.3. B & III. 3.D: _____

[6.] 5. Rate level change for the coverages to which this page applies. _____ %

(ins2800ipat022607)